

P-407/CP-90-723 ORDER ESTABLISHING PROCEDURE TO CONSIDER COST
STUDIES AND PROPOSED RATES

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of a Petition for
Extended Area Service From the
Dodge Center to the Claremont,
the West Concord to the
Claremont, and the Dodge Center
to the Concord Exchanges of GTE
Minnesota

ISSUE DATE: December 17, 1991

DOCKET NO. P-407/CP-90-723

ORDER ESTABLISHING PROCEDURE TO
CONSIDER COST STUDIES AND
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PROCEDURAL HISTORY

On September 26, 1990, the Commission received a petition for extended area service (EAS) routes between the Dodge Center, West Concord, and Claremont exchanges served by GTE Minnesota (GTE or the Company). The petition will be referred to as the Dodge Center petition.

On July 12, 1991, the Commission issued its ORDER DENYING PETITION AND REQUIRING FURTHER FILINGS. This Order denied the West Concord/Claremont route due to inadequate traffic between those exchanges but required GTE to file cost studies and proposed rates for the West Concord/Dodge Center and Claremont/Dodge Center routes.

On August 30, 1991, U S West Communications, Inc. (USWC) filed a petition for clarification that it was not an affected telephone company in the Winnebago EAS case, Docket No. P-430/CP-89-930. USWC's filing stated that it should not be considered an affected telephone company in this docket, as well.

On November 8, 1991, the Commission issued its ORDER DEFERRING ACTION in this matter, postponing consideration of the Dodge Center petition until after the Commission had determined whether interexchange companies were "affected telephone companies" for purposes of EAS rate calculation.

On November 21, 1991, the Commission issued its ORDER DETERMINING THE STATUS OF INTEREXCHANGE CARRIERS UNDER MINN. STAT. §237.161 SUBD. 3 (B) (1990). In its Order, the Commission determined that interexchange carriers are not "affected telephone companies" for purposes of EAS ratemaking.

On December 11, 1991, the Commission met to consider the implications of that Order for the Dodge Center petition.

FINDINGS AND CONCLUSIONS

U S West Communications, Inc. (USWC) serves as the interexchange carrier between the exchanges involved in the Dodge Center EAS petition. Consideration of this petition was deferred while the Commission considered whether an interexchange carrier (IXC) should be considered an affected telephone company for purposes of cost studies and EAS rates. Following the Commission's November 21, 1991 decision that interexchange carriers are not affected telephone companies within the meaning of the EAS statute¹, the Commission may now resume consideration of this petition.

In light of the Commission's November 21, 1991 ORDER DETERMINING THE STATUS OF INTEREXCHANGE CARRIERS UNDER MINN. STAT. §237.161 SUBD. 3 (B) (1990) it is clear that rates for the EAS routes proposed by the Dodge Center petition need not maintain USWC or any other IXC "income neutral." Accordingly, the Commission will direct GTE Minnesota, the telephone company serving the petitioning exchanges, to file the appropriate cost studies and proposed rates.

To promote the reliability of the cost studies and the comparability of the proposed rates, the Commission will require that the cost studies and proposed rates be based on a traffic study methodology developed by the Company in conjunction with the Department. The Company should include a narrative description of the process used to arrive at a methodology acceptable to all parties. The studies and proposed rates must also meet the requirements of M.S. §237.161, specifically including only lost toll contribution, as opposed to lost toll revenue. Consistent with its November 21, 1991 Order, the proposed rates may not include any costs incurred by the intraLATA toll carrier USWC or any other IXC. Alternative rate schedules are also necessary to provide a clear picture of the rate alternatives authorized by Minn. Stat. § 237.161, subd. 3 (1990): one schedule placing 50% of the costs on West Concord and Claremont, the petitioning exchanges, and another placing 75% of

¹ Docket Nos. P-401/CP-89-951, P-421/CP-87-352, and P-407, 421/CP-87-216, ORDER DETERMINING STATUS OF INTEREXCHANGE COMPANIES UNDER MINN. STAT. § 237.161, SUBD. 3 (B) (1990) (November 21, 1991).

the costs on those exchanges.² Further, as it agreed in the Iron Trail EAS case, the Company should calculate its projected traffic using a 400% stimulation factor. Finally, in calculating the proposed rates it is only reasonable to use 1992 cost elements, including the 0% gross receipts factor that will be in effect at the time the cost studies are filed.

If, within 10 days of this Order, GTE files a letter with the Commission stating its belief that its previously filed cost studies and proposed rates meet the requirements of the preceding paragraph, the Department will proceed to review those cost studies and proposed rates and file its recommendations with respect to them within another 45 days.

If the Company believes that it must revise its cost studies and proposed rates to meet the foregoing requirements, it should so notify the Commission and meet with the Department within 10 days of this order to work out a comprehensive traffic study methodology, such as the one it developed with the Department in the Iron Trail case, for use in preparing revised cost studies and proposed rates. Once the methodology is agreed upon, the Company will prepare and file revised cost studies and proposed rates within an additional 60 days. Comment by the Department and other parties will be as provided in Ordering Paragraphs.

ORDER

1. Within 10 days of this Order, GTE Minnesota (GTE or the Company) shall inform the Commission in writing whether or not it believes the cost studies and proposed rates it filed on October 9, 1991 meet the cost study and proposed rates requirements described in the text of this Order.

² With respect to the Claremont-Dodge Center and the West Concord-Dodge Center proposed EAS routes, it is reasonable to designate Claremont and West Concord the petitioning exchanges and designate Dodge Center the petitioned exchange in both routes for purposes of assigning costs because the traffic from the Claremont and West Concord exchanges meets the statutory requirement [Minn. Stat. § 237.161, subd. 1 (a) (3) (1990)] while the traffic to these exchanges from Dodge Center does not meet the statutory requirement. This treatment is consistent with the Commission's decision in In the Matter of the Petition for Extended Area Service From Iron Trail United Communities, Docket No. P-421, 407/CP-87-747, ORDER DENYING PETITIONS, STAYING CONSIDERATION, AND REQUIRING THE FILING OF TRAFFIC STUDIES, COST STUDIES AND PROPOSED RATES (September 18, 1990).

2. If GTE files a letter indicating that the October 9, 1991 cost study and proposed rates meet the requirements of this Order, the Department of Public Service (the Department) shall file its report and recommendation regarding those cost studies and proposed rates within 45 days after the filing of the letter.
3. Within 10 days of this Order, if GTE does not file a letter indicating that the October 9, 1991 cost study and proposed rates meet the requirements of this Order, it shall meet with the Department and develop a comprehensive traffic study methodology, such as the one it developed with the Department in the Iron Trail case, to use in preparing revised cost studies and proposed rates for the routes proposed in the current petition.
4. Within 45 days after developing a comprehensive traffic study methodology pursuant to Ordering Paragraph 3, GTE shall file revised cost studies and proposed rates based on the agreed methodology and consistent with this Order.
5. Within 45 days after the filing of GTE's revised cost studies and proposed rates, the Department shall file its report and recommendation.
6. Parties shall have 20 days following the filing of the Department's report and recommendation to file comments.
7. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

(S E A L)